Saskatchewan Financial Services Commission
Pensions Division

INVESTMENT REGULATIONS

Introduction

Saskatchewan has adopted, by reference, the federal government's rules with respect to the investment of pension plans.

Section 44 of *The Pension Benefits Act, 1992* provides:

> "Assets of a plan must be invested, and the investments must be made in accordance with the regulations".

Section 38 of *The Pension Benefits Regulations, 1993* prescribes:

> "(1) Notwithstanding the provisions of any plan or any instrument governing a plan, the assets of a plan must be invested and the investments made in accordance with this section and section 44 of the Act.
>
> (2) The assets of a plan must be invested and the investments made in accordance with the regulations made pursuant to the *Pension Benefits Standards Act, 1985* (Canada), as amended from time to time.
>
> (3) For purposes of this section, any reference in the regulations made pursuant to the *Pension Benefits Standards Act, 1985* (Canada) to the Superintendent is deemed to be a reference to the superintendent."

Subsection 38(1) ensures that the scope of the legislation includes the process followed to make investments, as well as, the securities in which a plan is invested.

The phrase "as amended from time to time" in subsection 38(2) means that each time the federal government amends the investment rules under the *Pension Benefits Standards Regulations, 1985* with respect to investment rules, those amendments apply to plans subject to Saskatchewan legislation. For instance, effective July 1, 1993, the regulations made under the *Pension Benefits Standards Act, 1985* were amended to move to the "prudent portfolio" rule in the investment regulations from the "legal list" approach. Those changes immediately affected plans registered in Saskatchewan.

Sections 12, 13 and 14 of Schedule III of the *Pension Benefits Standards Regulations, 1985* refer to the filing of documents with the "Superintendent". That reference is to the federal Superintendent of Financial Institutions. Subsection 38(3) ensures that plans registered in Saskatchewan file with the Superintendent of Pensions.

For purposes of reference, we have appended to this bulletin excerpts from the *Pension Benefits Standards Regulations, 1985* that we consider govern the investment of plans. You will note that Saskatchewan's regulations are not limited to reference to Schedule III of the *Pension Benefits Standards Regulations, 1985.*

Written Investment Policy

The administrator of a plan must establish a written statement of investment policies and procedures in respect of the plan's portfolio of investments and loans. The administrator must ensure that the plan's statement of investment policies and procedures is written having regard to all factors that may reflect the funding and solvency of the plan and the ability of the plan to meet its financial obligations. The written statement should include:

- a description of the factors taken into account when establishing the statement, including the type of pension plan, the nature of the plan's liabilities, the demographics of the plan's members and retired members and the employer's funding policy;
- the categories of permitted and prohibited investments and loans, including reference to derivatives, options and futures;
- the diversification requirements of the investment portfolio;
- the asset mix policy and the rate of return expectations;
- the plan's liquidity requirements;
- a policy with respect to the lending of cash or securities;
- a policy with respect to the retention or delegation of voting rights acquired through plan investments;
- the method of, and basis for, the valuation of investments that are not regularly traded at a public exchange;
- a policy with respect to permitted related party transactions, including the criteria used to establish whether a transaction is nominal or immaterial to the plan; and
- a policy with respect to conflict of interest, including criteria for the disclosure of conflict of interest.

The administrator must review and confirm or amend the written statement of investment policies and procedures at least once each plan year.

(PBSA Reg., Sections 7.1 and 7.2)

Quantitative Restrictions

The regulations provide some quantity restrictions for investment. The administrator of a plan may not invest more than:

1. 10% of the total book value of the plan's assets in any one person (including entity), except for:
   - insured deposits,
   - a segregated, mutual or pooled fund that itself complies with the requirements
   - an unallocated general fund of an insurer

- an investment corporation, real estate corporation or resource corporation
- issues guaranteed by the federal or a provincial government,
- an index fund
  (PBSA Reg., Schedule III – Section 9);

2. 5% of the book value of plan's assets in any one parcel of real estate or resource property; 15% of the book value of the plan's assets in resource properties in the aggregate; 25% of the book value of the plan's assets in real estate and resource properties in the aggregate (PBSA Reg., Schedule III – Section 10);

3. 30% of the voting shares of any corporation, except that for real estate, resource and investment corporations the 30% limit may be exceeded under certain conditions (PBSA Reg., Schedule III – Sections 11 through 14).

Self-Dealing

The regulations prohibit related party transactions, including loans to employees, with three exceptions:

1. the transaction is required for the operation of the plan and its terms and conditions are not less favourable than market terms and conditions;

2. investments in the securities of a related party are permitted when acquired at a public exchange;

3. the value of the transaction is nominal or the transaction is immaterial to the plan.

(PBSA Reg., Schedule III – Sections 15 through 17)

Exception

Schedule III of the *Pension Benefits Standards Regulations, 1985* does not apply to an insured plan or to investments held in an unallocated general fund of an insurer.

(PBSA Reg., Schedule III – Section 8)

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The Pension Benefits Standards Regulations, 1985

Interpretation

2 (1) In these Regulations,

"book value", in respect of an asset, means the cost of acquisition to the person acquiring the asset, including all direct costs associated with the acquisition;

"Canadian resource property" has the same meaning as in paragraph 66(15)(c) of the Income Tax Act;

"insured plan" means a plan in which all benefits are paid by means of an annuity or insurance contract issued by a person authorized to carry on a life insurance business in Canada and under which the person is obligated to pay all the benefits set out in the plan;

"market value", in respect of an asset, means the price that would be obtained in the purchase or sale of the asset in an open market under conditions requisite to a fair transaction between parties who are at arm's length and acting prudently, knowledgeably and willingly;

"mutual fund" or "pooled fund" mean a fund established by a corporation that is duly authorized to operate a fund in which moneys from two or more depositors are accepted for investment and where shares allocated to each depositor serve to establish the proportionate interest at any time of each depositor in the assets of the fund;

"segregated fund" means a fund established by a corporation that is duly authorized to operate a fund in which contributions to a pension plan are deposited and the assets of which are held exclusively for the purposes of that plan alone or that plan and one or more other pension plans;

Investments

6 (1) Every plan shall provide that the moneys of the pension fund are to be

(a) invested in accordance with Schedule III; and
(b) invested
    (i) in a name that clearly indicates that the investment is held in trust for the plan and, where the investment is capable of being registered, registered in that name,
    (ii) in the name of a financial institution, or a nominee thereof, in accordance with a custodial agreement or trust agreement, entered into on behalf of the plan with the financial institution, that clearly indicates that the investment is held for the plan, or
    (iii) in the name of The Canadian Depository for Securities Limited, or a nominee thereof, in accordance with a custodial agreement or trust agreement, entered into on behalf of the plan with a financial institution, that clearly indicates that the investment is held for the plan.

(2) For the purposes of subsection (1), "custodial agreement" means an agreement providing that

(a) an investment made or held on behalf of a plan pursuant to the agreement
    (i) constitutes part of the plan's pension fund, and
    (ii) shall not at any time constitute an asset of the custodian or nominee; and
(b) records shall be maintained by the custodian that are sufficient to allow the ownership of

any investment to be traced to the plan at any time.

7 The administrator of a plan shall maintain a current record that clearly identifies every investment held on behalf of the plan, the name in which the investment is made and, where appropriate, the name in which the investment is registered.

7.1 (1) The administrator of a plan shall, before the later of July 1, 1994 and the day on which the plan is registered, establish, on behalf of the plan, a written statement of investment policies and procedures in respect of the plan's portfolio of investments and loans, including

(a) categories of investments and loans, including derivatives, options and futures,
(b) diversification of the investment portfolio,
(c) asset mix and rate of return expectations,
(d) liquidity of investments,
(e) the lending of cash or securities,
(f) the retention or delegation of voting rights acquired through plan investments,
(g) the method of, and basis for, the valuation of investments that are not regularly traded at a public exchange, and
(h) related party transactions permitted under section 17 of Schedule III and the criteria to be used to establish whether a transaction is nominal or immaterial to the plan,

having regard to all factors that may affect the funding and solvency of the plan and the ability of the plan to meet its financial obligations.

(2) The statement of investment policies and procedures referred to in subsection (1) shall include a description of the factors referred to in that subsection and the relationship of those factors to those policies and procedures.

7.2 (1) The administrator of a plan shall review and confirm or amend the statement of investment policies and procedures referred to in subsection 7.1(1) at least once each plan year.

SCHEDULE III
(Section 6)

PERMITTED INVESTMENTS

Interpretation

1 In this Schedule,

"child", in respect of a person, means
(a) the natural or adopted child of the person,
(b) the natural or adopted child of the person's spouse, or
(c) the spouse of a natural or adopted child of the person;

"debt obligation" means a bond, debenture, note or other evidence of indebtedness of an entity;

"entity" means
(a) a corporation, trust, partnership or fund or an unincorporated association or organization, or
(b) Her Majesty in right of Canada or of a province or the government of a foreign country or of a political subdivision of a foreign country, or an agency thereof;

"investment corporation", in respect of a plan, means a corporation that
(a) is limited in its investments to those that are authorized for the plan under this Schedule,
(b) holds at least 98 per cent of its assets in cash, investments and loans,
(c) does not issue debt obligations,
(d) obtains at least 98 per cent of its income from investments and loans, and
(e) does not lend any of its assets to, or invest any of its moneys in, a related party of the plan;

"loan" includes a deposit, financial lease, conditional sales contract, repurchase agreement and any other similar arrangement for obtaining money or credit, but does not include investments in securities or the making of an acceptance, endorsement or other guarantee;

"market terms and conditions", in respect of a transaction, means terms and conditions, including those relating to price, rent or interest rate, that would apply to a similar transaction in an open market under conditions requisite to a fair transaction between parties who are at arm's length and acting prudently, knowledgeably and willingly;

"person" includes an entity;

"public exchange" means
(a) the Alberta Stock Exchange,
(b) the Montreal Stock Exchange,
(c) the Toronto Stock Exchange,
(d) the Vancouver Stock Exchange,
(e) the Winnipeg Stock Exchange,
(f) in France, the Stock Exchange (Paris),
(g) in the United Kingdom, The Stock Exchange (London), and
(h) in the United States,
    (i) the American Stock Exchange,
    (ii) the Boston Stock Exchange,
    (iii) the Chicago Board of Trade,
    (iv) the Cincinnati Stock Exchange,
    (v) the Detroit Stock Exchange,
    (vi) the Midwest Stock Exchange,
    (vii) the National Association of Securities Dealers Automated Quotation System,
    (viii) the National Stock Exchange,
    (ix) the New York Stock Exchange,
    (x) the Pacific Coast Stock Exchange,
    (xi) the Philadelphia-Baltimore-Washington Stock Exchange,
    (xii) the Pittsburgh Stock Exchange,
    (xiii) the Salt Lake Stock Exchange, or
    (xiv) the Spokane Stock Exchange;

"real estate corporation" means a corporation incorporated to acquire, hold, maintain, improve, lease or manage real property other than real property that yields petroleum or natural gas;

"real property" includes a leasehold interest in real property;

"related party", in respect of a plan, means a person who is
(a) the administrator of the plan or who is a member of a pension committee, board of trustees or other body that is the administrator of the plan,
(b) an officer, director or employee of the administrator of the plan,
(c) a person responsible for holding or investing the assets of the plan, or any officer, director or employee thereof,
(d) an association or union representing employees of the employer, or an officer or employee thereof,
(e) an employer who participates in the plan, or an employee, officer or director thereof,
(f) a member of the plan,
(g) where the employer is a corporation, a person who directly or indirectly holds, or together with the spouse or a child of the person holds, more than 10 per cent of the voting shares carrying more than 10 per cent of the voting rights attached to all voting securities of the corporation,
(h) the spouse or a child of any person referred to in any of paragraphs (a) to (g),
(i) where the employer is a corporation, an affiliate of the employer,
(j) a corporation that is directly or indirectly controlled by a person referred to in any of paragraphs (a) to (h),
(k) an entity in which a person referred to in paragraph (a), (b), (e) or (g), or the spouse or a child of such a person, has a substantial investment, or
(l) an entity that holds a substantial investment in the employer,
but does not include Her Majesty in right of Canada or of a province, or an agency thereof, or a bank, trust company or other financial institution that holds the assets of the plan, where that person is not the administrator of the plan;

"resource corporation" means a corporation that has, at all times since the date on which it was incorporated,
(a) limited its activities to acquiring, holding, exploring, developing, maintaining, improving, managing, operating or disposing of Canadian resource properties,
(b) restricted its investments and loans, other than investments in Canadian resource properties or property to be used in connection with Canadian resource properties owned by it and loans secured by Canadian resource properties to persons resident in Canada for the exploration or development of such properties, to investments and loans authorized for a plan under this Schedule, and
(c) not borrowed money other than for the purpose of earning income from Canadian resource properties;

"security" means
(a) in respect of a corporation, a share of any class of shares of the corporation or a debt obligation of the corporation, and includes a warrant of the corporation, but does not include a deposit with a financial institution or an instrument evidencing such a deposit, and
(b) in respect of any other entity, any ownership interest in or debt obligation of the entity;

"transaction" includes
(a) the making of an investment in securities,
(b) the taking of an assignment of, or otherwise acquiring, a loan made by a third party,
(c) the taking of a security interest in securities, and
(d) any modification, renewal or extension of a prior transaction,
but does not include a payment of pension benefits or other benefits, a transfer of pension benefit credits or a withdrawal of contributions from a plan;

"voting share" means a share of any class of shares of a corporation that carries voting rights under all circumstances, by reason of an event that has occurred and is continuing or by reason of a condition that has been fulfilled.

2 For the purposes of this Schedule, the making, holding or acquiring of an investment indirectly by an administrator on behalf of a plan, the holding, acquiring or owning of property indirectly by an administrator on behalf of a plan or the lending of money indirectly by an administrator on behalf of a plan includes the holding, making, acquiring, owning or lending of an investment, a property or money, as the case may be, by
(a) a real estate corporation, resource corporation or investment corporation in which the moneys of the plan have been invested in accordance with section 12, 13 or 14;
(b) a real estate corporation, resource corporation or investment corporation of which a corporation referred to in paragraph (a) holds securities to which are attached more than 30 per cent of the votes that may be cast to elect the directors of the real estate corporation, resource corporation or investment corporation; or
(c) a mutual or pooled fund or trust fund in which the moneys of the plan have been invested.

3 (1) For the purposes of this Schedule,
(a) a person or plan controls a corporation if securities of the corporation to which are attached more than 50 per cent of the votes that may be cast to elect the directors of the corporation are beneficially owned by the person or plan and the votes attached to those securities are sufficient, if exercised, to elect a majority of the directors of the corporation;
(b) a person or plan controls an unincorporated entity, other than a limited partnership, if more than 50 per cent of the ownership interests into which the unincorporated entity is divided are beneficially owned by the person or plan and the person or plan is able to direct the business and affairs of the unincorporated entity;
(c) the general partner of a limited partnership controls the limited partnership; and
(d) a trustee of a trust controls the trust.

(2) For the purposes of this Schedule, a person or plan who controls an entity controls any other entity that is controlled by the entity.

4 For the purposes of this Schedule, a corporation is a subsidiary of another corporation if it is controlled by the other corporation.

5 For the purposes of this Schedule, one entity is affiliated with another entity if the entity is controlled by the other entity or if both entities are controlled by the same person.

6 For the purposes of this Schedule, a person or plan has a substantial investment in
(a) an unincorporated entity if the person, the plan or an entity controlled by the person or plan beneficially owns more than 25 per cent of the ownership interests in the unincorporated entity; and
(b) a corporation if
    (i) the voting rights attached to voting shares of the corporation that are beneficially owned by the person or plan, or by an entity controlled by the person or plan, exceed 10 per cent of the voting rights attached to all of the outstanding voting shares of the corporation, or
    (ii) shares of the corporation that are beneficially owned by the person or plan, or by an entity controlled by the person or plan, represent ownership of more than 25 per cent of the shareholders' equity of the corporation.

7 For the purposes of this Schedule, a person or plan is associated with
(a) a corporation that the person or plan controls and every affiliate of every such corporation;
(b) a person who controls the person or plan;
(c) a partner who has a substantial investment in a partnership in which the person or plan has a substantial investment;
(d) a trust or estate in which the person or plan has a substantial investment or for which the person or plan serves as trustee or in a similar capacity to a trustee;
(e) the spouse of the person; and
(f) a brother, sister or child or other descendant of the person, or the spouse thereof.

Application

8 This Schedule does not apply in respect of
(a) an insured plan or a plan in respect of which all benefits are provided through an annuity contract issued by the Government of Canada; or
(b) investments held in an unallocated general fund of a person authorized to carry on a life insurance business in Canada.

Quantitative Limits

9 (1) The administrator of a plan shall not directly or indirectly lend moneys of the plan equal to more than 10 per cent of the total book value of the plan's assets to, or invest moneys equal to more than 10 per cent of the total book value of the plan's assets in,
(a) any one person;
(b) two or more associated persons; or
(c) two or more affiliated corporations.

(2) Subsection (1) does not apply in respect of moneys of a plan held by a bank, trust company or other financial institution to the extent that the moneys are fully insured by the Canada Deposit Insurance Corporation, by the Canadian Life and Health Insurance Compensation Corporation or by any similar provincial body established for the purpose of providing insurance against loss of deposits with trust companies or other financial institutions.

(3) Subsection (1) does not apply in respect of investments in
(a) a segregated fund or mutual or pooled fund that complies with the requirements applicable to a plan that are set out in this Schedule;
(b) an unallocated general fund of a person authorized to carry on a life insurance business in Canada;
(c) an investment corporation, real estate corporation or resource corporation;
(d) securities issued or fully guaranteed by the Government of Canada, the government of a province, or an agency thereof;
(e) a fund composed of mortgage-backed securities that are fully guaranteed by the Government of Canada, the government of a province, or an agency thereof; or
(f) a fund that replicates the composition of a widely recognized index of a broad class of securities traded at a public exchange.

10 (1) The administrator of a plan shall not, directly or indirectly, invest moneys of the plan in real property or Canadian resource properties if, at the time the investment is made,
(a) the book value of the investment in any one parcel of real property or Canadian resource property exceeds 5 per cent of the book value of the plan's assets;
(b) the aggregate book value of all investments in Canadian resource properties exceeds 15 per cent of the book value of the plan's assets; or
(c) the aggregate book value of all investments in real property and Canadian resource properties exceeds 25 per cent of the book value of the plan's assets.

(2) Where real property is subdivided into two or more parcels and the beneficial ownership of the real property remains the same, or where a person directly or indirectly acquires two or more parcels for consolidation, the real property shall be treated as one parcel for the purposes of the investment limits set out in this section.

11 (1) Subject to subsection (2), the administrator of a plan shall not, directly or indirectly, invest the moneys of the plan in the securities of a corporation to which are attached more than 30 per cent of the votes that may be cast to elect the directors of the corporation.

(2) Subsection (1) does not apply in respect of investments in securities of
(a) a real estate corporation;
(b) a resource corporation; or
(c) an investment corporation.

12 (1) The administrator of a plan shall not, directly or indirectly, invest the moneys of the plan in the securities of a real estate corporation to which are attached more than 30 per cent of the votes that may be cast to elect the directors of the corporation, unless the administrator first obtains and deposits with the Superintendent an undertaking by the corporation that, while those securities are held, the corporation will
(a) file with the Superintendent, at such intervals or times as the Superintendent directs,
  (i) copies of its annual financial statements,
  (ii) copies of its audited financial statements in respect of fiscal years ending after December 31, 1994,
  (iii) a list clearly identifying the assets of the corporation and the market value of each asset,
  (iv) a list of the names of its officers, directors and shareholders, and
  (v) a certificate stating that the corporation is complying with its undertaking;
(b) permit the Superintendent or an authorized member of the Superintendent's staff to visit its head office and to examine its books and records;
(c) limit its activities to acquiring, holding, maintaining, improving, leasing or managing real property other than real property that yields petroleum or natural gas;
(d) not carry on the activities referred to in paragraph (c) in respect of any real property that is not owned by, or on behalf of, or mortgaged to,
  (i) the plan,
  (ii) the corporation,
  (iii) any other real estate corporation in which securities to which are attached more than 30 per cent of the votes that may be cast to elect the directors of that corporation have been invested in by, or on behalf of, the plan pursuant to this subsection, or
  (iv) any other real estate corporation in which securities to which are attached more than 30 per cent of the votes that may be cast to elect the directors of that corporation are owned by the corporation or by a real estate corporation referred to in subparagraph (iii);

(e) procure, at the request of the Superintendent and at its own expense, an appraisal by one or more accredited appraisers of any parcel of real property owned by it or on its behalf;
(f) not lend any of its assets to, or invest any of its moneys in, a related party of the plan;
(g) restrict its investments and loans, other than investments in real property or in the securities of other real estate corporations, to those authorized for the plan under this Schedule; and
(h) not invest, or hold an investment, in securities of any other real estate corporation to which are attached more than 30 per cent of the votes that may be cast to elect the directors of that corporation, unless the corporation first obtains and deposits with the Superintendent an undertaking by the other real estate corporation not to invest, or hold an investment, in the securities of any other real estate corporation.

(2) A list of assets referred to in subparagraph (1)(a)(iii)
(a) shall not include any asset, other than an asset referred to in paragraph (1)(g), that is not authorized under this Schedule; and
(b) shall value any securities that are included in the assets of the corporation at a value not exceeding the market value thereof.

(3) Any financial statement of a plan filed pursuant to subsection 12(3) of the Act shall value the common shares of the real estate corporation held by, or on behalf of, the plan at a value not greater than the amount obtained by multiplying
(a) an amount equal to the total assets of the corporation less the sum of its total liabilities and its preferred capital stock
by
(b) the number of common shares of the corporation held by, or on behalf of, the plan divided by the total number of the issued and outstanding common shares of the corporation.

13 (1) The administrator of a plan shall not, directly or indirectly, invest the moneys of the plan in the securities of a resource corporation to which are attached more than 30 per cent of the votes that may be cast to elect the directors of the corporation, unless the administrator first obtains and deposits with the Superintendent an undertaking by the corporation that, while those securities are held, the corporation will
(a) file with the Superintendent, at such intervals or times as the Superintendent directs,
    (i) copies of its annual financial statements,
    (ii) copies of its audited financial statements in respect of fiscal years ending after December 31, 1994,
    (iii) a list clearly identifying the assets of the corporation and the market value of each asset,
    (iv) a list of the names of its officers, directors and shareholders, and
    (v) a certificate stating that the corporation is complying with its undertaking;
(b) permit the Superintendent or an authorized member of the Superintendent's staff to visit its head office and to examine its books and records;
(c) limit its activities to acquiring, holding, exploring, developing, maintaining, improving, managing, operating or disposing of Canadian resource properties;
(d) not carry on the activities referred to in paragraph (c) in respect of any Canadian resource property that is not owned by, or on behalf of,
    (i) the plan,
    (ii) the corporation,
    (iii) any other resource corporation in which securities to which are attached more than 30 per cent of the votes that may be cast to elect the directors of that corporation have been invested in by, or on behalf of, the plan pursuant to this subsection, or
    (iv) any other resource corporation in which securities to which are attached more than 30

per cent of the votes that may be cast to elect the directors of that corporation are owned by the corporation or by a resource corporation referred to in subparagraph (iii);

(e) procure, at the request of the Superintendent and at its own expense, an appraisal by one or more accredited appraisers of any Canadian resource property owned by it;

(f) not lend any of its assets to, or invest any of its moneys in, a related party of the plan;

(g) restrict its investments and loans, other than investments in Canadian resource property or properties to be used in connection with Canadian resource properties owned by it, loans secured by Canadian resource properties to persons resident in Canada for the exploration or development of such properties and investments in the securities of other resource corporations, to investments and loans authorized for the plan under this Schedule;

(h) not borrow money other than for the purpose of earning income from Canadian resource properties; and

(i) not invest, or hold an investment, in securities of any other resource corporation to which are attached more than 30 per cent of the votes that may be cast to elect the directors of that corporation, unless the corporation first obtains and deposits with the Superintendent an undertaking by the other resource corporation not to invest, or hold an investment, in the securities of any other resource corporation.

(2) A list of assets referred to in subparagraph (1)(a)(iii)

(a) shall not include any asset, other than an asset referred to in paragraph (1)(g), that is not authorized under this Schedule; and

(b) shall value any securities that are included in the assets of the corporation at a value not exceeding the market value.

(3) Any financial statement of the plan filed pursuant to subsection 12(3) of the Act shall value the common shares of the resource corporation held by, or on behalf of, the plan at a value not greater than the amount obtained by multiplying

(a) an amount equal to the total assets of the corporation set out in the balance sheet less the sum of its liabilities and its preferred capital stock

by

(b) the number of common shares of the corporation held by, or on behalf of, the plan divided by the total number of the issued and outstanding common shares of the corporation.

14 The administrator of a plan shall not, directly or indirectly, invest the moneys of the plan in the securities of an investment corporation to which are attached more than 30 per cent of the votes that may be cast to elect the directors of the corporation, unless the administrator first obtains and deposits with the Superintendent an undertaking by the corporation that, while those securities are held, the corporation will

(a) file with the Superintendent, at such intervals or times as the Superintendent directs,

(i) copies of its annual financial statements,

(ii) copies of its audited financial statements in respect of fiscal years ending after December 31, 1994,

(iii) a list clearly identifying the assets of the corporation and the market value of each asset,

(iv) a list of the names of its officers, directors and shareholders, and

(v) a certificate stating that the corporation is complying with its undertaking;

(b) permit the Superintendent or an authorized member of the Superintendent's staff to visit its head office and to examine its books and records;

(c) hold at least 98 per cent of its assets in cash, investments and loans;

(d) not issue debt obligations;

(e) obtain at least 98 per cent of its income from investments and loans;

(f) not lend any of its assets to, or invest any of its moneys in, a related party of the plan; and
(g) not invest, or hold an investment, in securities of any other investment corporation if there are attached to those securities more than 30 per cent of the votes that may be cast to elect the directors of that corporation, unless the corporation first obtains and deposits with the Superintendent an undertaking by the other investment corporation not to invest, or hold an investment, in the securities of any other investment corporation.

15 For the purposes of sections 16 and 17,
(a) where a transaction is entered into by, or on behalf of, a plan with a person who the administrator of the plan, or any person acting on the administrator's behalf, knows will become a related party to the plan, the pe son shall be considered to be a related party of the plan in respect of the transaction; and
(b) the fulfillment of an obligation under the terms of any transaction, including the payment of interest on a loan or deposit, is part of the transaction and not a separate transaction.

16 (1) Subject to subsections 17 and 18, the administrator of a plan shall not, directly or indirectly,
(a) lend the moneys of the plan to a related party or invest those moneys in the securities of a related party; or
(b) enter into a transaction with a related party on behalf of the plan.

(2) Subject to sections 17 and 18, during the period of twelve months after the day on which a person ceases to be a related party of a plan, the administrator of the plan shall not, directly or indirectly,
(a) lend the moneys of the plan to that person or invest those moneys in the securities of that person; or
(b) enter into a transaction with that person on behalf of the plan.

17 (1) The administrator of a plan may enter into a transaction with a related party on behalf of the plan if
(a) the transaction is required for the operation or administration of the plan; and
(b) the terms and conditions of the transaction are not less favourable to the plan than market terms and conditions.

(2) The administrator of a plan may invest the moneys of the plan in the securities of a related party if those securities are acquired at a public exchange.

(3) The administrator of a plan may enter into a transaction with a related party on behalf of the plan if the value of the transaction is nominal or the transaction is immaterial to the plan.

(4) For the purposes of subsection (3), in assessing whether the value of a transaction is nominal or whether a transaction is immaterial, two or more transactions with the same related party shall be considered as a single transaction.

General

18 Sections 9 to 16 do not apply in respect of
(a) investments in a corporation that are held by, or on behalf of, a plan as a result of an arrangement, within the meaning of subsection 192(1) of the Canada Business Corporations Act, for the reorganization or liquidation of the corporation or for the amalgamation of the corporation with another corporation, if the investments are to be exchanged for shares or debt obligations;
(b) assets that are acquired by, or on behalf of, a plan through the realization of a security interest held by, or on behalf of, the plan and that are held for a period not exceeding two years from the day on which the assets were acquired.